



# HINDU CAPITALISM

A short collection of writings by Sanjeev Sabhlok

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## Ram *rajya* is nothing but capitalism

A month ago I was stranded in traffic in Delhi in an Uber vehicle. I had time for a long chat with the driver and so we discussed India's situation.

He started by supporting both Modi and Kejriwal but minutes into our conversation, he couldn't identify a single improvement on the ground. I then started exploring with him why things are so bad in India.

For nearly twenty years, I've been talking to villagers and people in cities across India on the reasons why governments continue to fail to perform their basic functions of security, justice and infrastructure, even as they insist on undertaking unnecessary roles, such as running buses, hotels and banks.

In these conversations, I've long been using Indian idioms and proverbs like "*Jahaan ka raja vyapari, vahan ki praja bhikari*" (i.e. where the king undertakes trade and commerce, the people become beggars) and traditional symbols like "*shubh labh*" (i.e. profit is good).

Stuck in the din of the Delhi traffic, I had time to come up with more evocative ways to communicate my message. Maybe I could tie all this up with Ram *rajya*?

After all, the kings in the *Ramayana* were never producers or businessmen. Neither king Dashrath nor Ram ran hotels, buses, airlines, factories or banks. Even coinage was independent of kings, with guilds minting coins and certifying their quality. Only later did kings get involved in quality certification of coins and finally, in their minting. India's money supply and banking systems were for a long time a form of free banking.

Moreover, the theory of the state in Valmiki's *Ramayana* is very similar to the Hobbesean or Lockean thesis of a social contract, which is the foundation of modern liberalism. "In a rulerless land, there is no peace, thieves and brigands exercise their power". In a land without a king "the wealthy are not protected, nor does the husbandman, the cowherd and the shepherd sleep at ease with open doors; ... nor do the merchants travelling the roads in security bring their goods to sell from distant lands".

The primary function of the king in Ram *rajya* is security. But justice is crucially important: "A wise and learned king, having obtained and ruled the entire earth, properly by righteousness and by administering justice to the people, indeed ascends to heaven when detached from the mortal body". Further, "The king will have great renown for he is the ruler of the righteousness of these people, a protector, a respectable and adorable one, and as he wields the sceptre of justice".

With regards to justice, the liberal principle of separation of state and religion has been a key pillar of the Indian tradition. The kings of India never restricted the speech of atheists or imposed corporal punishment for differences in religious opinion. This was dramatically different to the Western tradition where violent suppression of thought was the norm till relatively recently, and the middle Eastern tradition where differences in religious opinion can be met by the state with murder even today.

Every Diwali, we need to pause to explore the meaning and implications of Ram *rajya* and, closely associated with that, why Laxmi and *shub labh* are so important. We will find that Ram *rajya* is

nothing but capitalism. In Ram *rajya*, the people only succeed by serving other people's needs in order to obtain *shubh labh*, so that Lakshmi (wealth) can enter the house.

Note how radically different is "*labh*" from "*lobh*" (greed). In a free society, profit never emerges only from greed. It emerges from the necessary transformation, indeed the sublimation, of any egotistical greed into the most humble service of other people's needs. Effectively, the worship of profit amounts to the worship other people's comforts and needs. Only when others come first does Laxmi enter the house.

Unfortunately for India, we forgot all this 70 years ago and agreed to adopt the newfangled Western model of socialism which Nehru and many of his colleagues were smitten with.

Socialism involves two things that directly conflict with the Indian tradition.

First, it involves the government going well beyond its core functions. It involves the government becoming a businessman. Till today, public sector businesses continues to dominate India. Public sector banks are the main channel through which taxpayers are being looted. But also education. In the Indian tradition the king never involved himself in education. Gandhi himself chastised the British for getting involved in education. The governments of India have continued to violate this most fundamental principle, with disastrous consequences for hundreds of millions of our youth.

Second, socialism involves a visceral hatred for profit. JRD Tata reported: "Nehru once told me 'I hate the mention of the very word profit'. I replied: 'Jawaharlal, I am talking about the need of the public sector making a profit.' Jawaharlal came back: 'Never talk to me about the word profit; it is a dirty word'."

At this same time – when Nehru was busy attacking profit and nationalising industries in order to achieve his "commanding heights of the economy" – Lee Kuan Yew was vigorously fighting the socialists of Singapore. He bluntly told them: "You make profit into a dirty word and Singapore dies!"

No Indian scripture or tradition ever calls for the confiscation of private property – but such confiscation has been the central tenet in socialist India, with a vast number of confiscatory Acts of parliament sheltered from judicial review under Schedule 9 of the Constitution. Indeed, property rights are not a fundamental right today, despite private property being the foundation of India's success for thousands of years.

It is true that Nehru and his Congress are not the only ones responsible for our current misery. All other major parties including BJP and AAP have been actively promoting this socialist ideology. Mr Modi's actions are directly violative of the principles of governance that form part of the Indian tradition and political thought, including those detailed in Kautilya's *Arthashastra*. The Indian tradition is unambiguously capitalist.

My conversation with the Uber driver proved very fruitful for I think I've finally discovered that alluding to Ram *rajya* is the most direct way to show people why socialism is a fatal ideology. At least the driver was persuaded.

## Good policy is about harnessing greed, not stifling it

Few things are more misunderstood than the concept of greed.

But surely the desire to “have a bit more” cannot be unambiguously bad. We depend on a level of greed to impel entrepreneurs to put in endless late hours to innovate and better serve us. Greed also confirms the rationality of an individual. We would hope that our child prefers Rs. 20 to Rs.10. Without such “basic” greed, the child will probably struggle to survive as an adult.

This “essential” greed probably has a strong evolutionary basis. Those who accumulated “capital”, i.e. more than their immediate needs, were probably more intelligent than others, being far sighted and interested in managing future risk. Such people were therefore better able to look after their children and pass on their genes.

But the idea of greed, profit and accumulation does leave us with mixed feelings. Many of us tend to dislike greed, particularly in others. Milton Friedman quipped, “Of course, none of us are greedy. It’s only the other fellow that’s greedy”.

Economists are not squeamish about greed. They understand that greed is the vital force that makes the world go around. They break up the concept of greed into two component parts. The first is the idea that we prefer more of something that we like (such as money) to less. The second is the idea of non-satiation, that there is virtually no limit to an additional bundle of desirable goods you can offer someone. Imagine that you are the richest person on earth. Now someone offers you one more Picasso, maybe a beautiful classic car. Would you take it? But of course, you are not greedy.

Ancient India took a well-considered approach towards life. *Artha* was accepted as a foundational pillar of human life along with *dharma* and *kama*. That is why, when political circumstances allowed, India could become the fabled *sone ki chidiya*. Fortunately, much of the country still retains the foundational motto of *shubh labh*.

Kautilya did caution against excessive greed in *Arthashastra*. But he knew that the policy maker must fully understand this motivating force. Good public policy is all about harnessing human greed for the welfare of mankind.

It appears that by early 20<sup>th</sup> century we had forgotten how our ancestors thought and became a deeply confused nation. Gandhi, who had been influenced by utopian socialist John Ruskin (who strongly disliked capitalism) was perhaps most instrumental in the development of what can be described as an anti-greed cult in India. Gandhi’s writings repeatedly express the simplistic view that capitalists are greedy. And he worried that his movement for non-violence “will fail, if it does not touch the root of all evil—man’s greed”.

Nehru became likewise (but separately) indoctrinated into socialism and disliked greed and profit. As a result, it has been drummed into our heads for a century that capitalists are necessarily greedy and selfish. The cult of jealousy has superseded the scientific study of *artha* in India. We have shut our eyes to the complexity, even strange beauty, of the energy that greed can generate. By refusing to harness its motive power, we have ended up as a society of hypocrites, and therefore as a thoroughly corrupt nation.

Greed is like a knife that is mostly put to good use in the kitchen but on occasion, can also be used by evil people to kill. For the most part, greed makes people work hard but on occasion it makes people cheat and take shortcuts.

Instead of throwing out the baby (essential greed) with the bathwater (excessive greed), we should work to build a well-regulated free market that can bring cheaters to book while encouraging people to produce as much as they can to serve the community.

The free market can itself play a part in reducing cheating, through the reputational mechanism. If someone takes short-cuts and fails to give his customers a great experience, they abandon him and spread the word. "Greedy capitalists" soon learn that cheating doesn't pay.

But to function effectively, the market needs a governance and regulatory system that enforces contracts and provides justice. An effective consumer protection and safety regulation system minimises cheating in the community.

Consider the evidence that has recently emerged that the Boeing company was selling essential safety features for its grounded plane 737 MAX as an "extra". As a result, airlines from some developing countries chose not to buy these otherwise essential safety features. If the loss of hundreds of lives is attributed by investigators to the excessive greed of its executives, Boeing's reputation will be in tatters. In addition, the regulator, the FAA, will probably create rules that prevent such compromises with safety in the future.

In such a well-regulated free society, sustainable profit emerges from the transformation of egotistical greed into humble service of other people's needs. Even if he privately dislikes you, the shopkeeper smiles and serves you. The capitalist's greed is thus directed towards useful social ends.

The reputational mechanism doesn't work well in badly governed societies like India in which justice is hard to come by and in which politicians are hands-in-glove with businesses. In such countries, cheaters multiply. India's only hope of dealing with cheaters and corrupt government officials is to adopt the well-regulated free market system that Swarna Bharat Party advocates.

## Critical lessons from Singapore's transformation

In less than sixty years Singapore has transformed from a poor developing country into one of the richest – its per capita income is now double that of Australia. Singapore will be in a class entirely of its own by 2050.

People tell me that Singapore is not worth examining because it is small. But being small doesn't guarantee success. Singapore became successful only because of the genius of Lee Kuan Yew (LKY), a grandmaster of governance on par with Kautilya. LKY was Singapore's Prime Minister from 1959 to 1990 from age 35 to 67 and continued mentoring Singapore till he was 87 years old.

Both LKY and Nehru started out as socialists, being personally influenced by Harold Laski. But LKY was obviously much smarter. LKY recalled that Laski's "socialist theories had a profound influence on many colonial students, quite a few of whom were to achieve power and run their underdeveloped economies aground". He learnt a lot from Nehru's colossal failures: "It was my good fortune that I had several of these failed economies to warn me of this danger before I was in a position to do any harm in government".

Unlike Nehru who repeatedly rejected any advice from classical economists, LKY was much more open to new learnings. In an interview in 2013 LKY greatly praised economics Nobel Prize winner Friedrich Hayek as "a very clear thinker" who "hit upon the eternal truth, explaining that the free market is necessary to get the economy right". Elsewhere he wrote, "Long before Milton Friedman held up Hong Kong as a model of a free-enterprise economy, I had seen the advantage of having little or no social safety net". There is no welfare state in Singapore, only minimal social insurance. People pay for healthcare and pensions from their savings but since taxes are low the people are able to save a lot.

A key plank of LKY's model from the beginning was to attract foreign investment by assuring investors of strong property rights – this was at the same time when Nehru's overzealous daughter, Indira Gandhi, was driving away investors from India.

Most importantly, LKY's instincts for public administration were uncannily strong. He was interested in mechanisms to ensure honest and accountable governance. Initially he could not afford to pay the best bureaucrats as much as he would have liked, so he focused on strong punitive measures against the bad ones. But as soon as he could, he raised the salaries of the best bureaucrats and politicians to the highest levels in the world. Kautilya would have approved.

The administrative system of Singapore is not just about paying high salaries. Unlike in India where Part 14 of our Constitution makes it next to impossible to dismiss corrupt (leave alone incompetent) officials, Singapore has extremely strong mechanisms of accountability. And there is no relationship between a particular role and age. For example, "Headmasters are often appointed in their 30s and rewarded with merit pay if they do well but moved on quickly if their schools underperform".

One can legitimately disagree with LKY on a few issues even where he succeeded superlatively. For instance, LKY decided that his government would own a few businesses such as Singapore Airlines. He knew that these companies would fail if the government got directly involved or set the salaries of their staff. So he created an arms-length asset management company called Temasek in 1974, to

which thirty government-owned firms were transferred with a mandate to subject them to market discipline.

The Temasek board comprises some of the most competent private sector managers of Singapore and operates entirely independently of the government. Its sole task is to maximise profits while ensuring the highest standards of delivery. This has seen Singapore airport and Singapore Airlines perform at the world-best level. Only the best talent is hired and promoted, and obviously paid competitive wages. We can perhaps characterise LKY's model as state capitalism, elements of which are found in Kautilya's *Arthashastra*.

But one wouldn't advocate this aspect of Singapore's model for India. Even in Singapore allegations of political interference in Temasek have sometimes arisen, but in full-fledged democracies it is practically impossible to avoid such pressures. In any event, there is no reason for government to own businesses in the first place. Where there are monopoly effects or other concerns, regulation can be implemented.

Despite this, the Temasek model tells us something very important about LKY's approach – that he was always innovating incentive-compatible policy solutions, something unheard of in India's policy circles. All policies in Singapore are worth studying closely, even if India doesn't adopt them all.

One must, of course, reject Singapore's limits to freedom of expression and its limited democracy. Singapore also depended critically on having one good person at the helm, which is not a sustainable strategy. Our party is committed to implementing systems that continuously attract the best talent to politics and governance.

LKY's eldest son Lee Hsien Loong is following in his father's footsteps today and India should actively (and humbly) seek his advice. At the same time our numerous ignorant and arrogant socialists like Arvind Kejriwal should stop their prattle about being able to create Singapores when they do not understand even the most basic concepts of economics. These people are following Nehru's footsteps and running India further aground. Our country has no option, if it wants to succeed, but to reject all socialist parties and adopt its only national liberal party.

## Reform suggestions for Rashtriya Swayamsevak Sangh

I am generally very critical of RSS but I agree that people who join it do so because of positive reasons – there can be no doubt that RSS is a genuinely nationalist organisation.

Patriotism, being a rational form of nationalism, is an essential requirement for any nation to succeed. But we must ensure that individual rights are advanced, not crushed in this process. For example, the idea that Muslims of India are second class citizens is simply unacceptable.

Further, one can also agree that RSS provides charitable relief during calamities. It is such work that has enabled it to generate goodwill and attract new members.

Despite my many differences with RSS, I engaged with a number of its leaders (not their senior-most ones) in 2013 at a reform summit that I had organised at Ramdev's Patanjali headquarters, and also later met a few more of them in Delhi.

A digression to explain my engagement with Ramdev would be helpful at this stage. Ramdev heard about my 2008 book and political work and contacted me over phone in late 2012. He wanted me to come and stay with him in Patanjali to discuss a new political party for the 2014 elections. During the many weeks I stayed at Patanjali we agreed to form a party that would contest 100 Lok Sabha seats, to be launched on 4 June 2013. We had extensive discussions about strategy and he included my key points about liberal reforms in a Hindi pamphlet that he distributed to around 1 lakh villages.

At the four-day reform summit that he then funded (and which I organised) in Patanjali in April 2013, around a hundred followers of Ramdev from across the country participated, including from RSS. Our party's manifesto was discussed at great length – although it was then known as the Sone Ki Chidiya reform agenda. Everyone guessed that a new party was being considered although few were privy to the details.

Ramdev chickened out in the end because of great pressure from BJP but gave me the go-ahead in end-May to form the party. And so the Swarna Bharat Party was created on 1 June 2013 – but without any of his support. Later I developed serious concerns about Ramdev's personal integrity and have not engaged with him since then.

In the meanwhile, a lot has changed. RSS had supported Modi because they wanted to get rid of Congress and give Modi a chance. But I understand from reliable sources that many RSS leaders and followers are deeply disappointed with his performance. And while they have supported him in 2019 as well, that is only because they see no other alternative.

The RSS needs to understand that BJP simply can't deliver for it just doesn't have the necessary knowledge. If RSS is serious about creating a Sone Ki Chidiya, a great India, it has to dramatically modernise its ideas. It should have the goal of excellence and shift its energy from the glorification of India's past to helping the country achieve a great future.

Critical thinking holds the key to India's success, not Hindu-centric collectivism and populism. What use is a Hindu India if it remains the backwater of the world and if our best brains leave? What use is it being a "swayam sewak" when all around is poverty, ignorance and rubbish littering the streets?

Nation building cannot be based on religion. Many people leave religion once they realise that it violates evidence and reason. There is a strong likelihood that the children of RSS members, or at least their grandchildren, will abandon religion. Since religion is constantly in flux, a great nation needs stronger roots.

I believe that a successful nation is best founded on the idea of a common cultural heritage (including food, language, song and dance) and a quest for freedom. The USA is much more nationalistic than India but not on the basis of religion. Americans participate with gusto in the 4 July celebrations and proudly sing their national anthem but this sense of nationalism is based on the knowledge that America is the most free nation in the world. The Statue of Liberty is the real symbol of the USA, not any religion.

In 1776 India comprised hundreds of kingdoms (most of them independent) with a total population of around 20 crores. In comparison, the newly formed USA was tiny, with only 25 lakh people. Despite India having many more independent countries and more people we performed badly in comparison with the USA over the next 250 years. That is mainly because the USA had one major advantage over India – it had constitution that defended freedom and supported the flood of innovation and economic activity which led to its great success. The USA has also, as a result, managed to attract 25 lakh of our brightest people to its shores.

Surely this says a lot about the Hindutva model that RSS is trying to promote. Hindutva is not a reliable and sustainable basis for fostering a great nation. Instead, morons who know nothing about science are being generated and making a fool of themselves on the world stage with comments about Ganesha's plastic surgery.

RSS was influenced by the founding ideology of Hitler, which was a form of socialism. This ideology has long been discredited and discarded, including by China. Since Hitler's time the world has changed and the outcomes are clear: capitalism works and socialism doesn't.

The model of freedom must therefore underpin India's future. That would also be more consistent with India's own heritage. India was a great melting pot in the past and generated some of the most innovative ideas. Moreover, *Arthashastra* by Kautilya is consistent with many of the latest findings of economics.

It should not matter to RSS what religion people believe in, so long as all violence is punished and justice is ensured for everyone. This also means a strong defence of property rights. The RSS has supported the encroachment and demolition of private property in Babri Masjid. That is not the direction which will lead India to greatness.

Our party wants India to be a Sone Ki Chidiya, far superior to Singapore and the USA in every way. This vision could also be called Ram Rajya – a land in which justice prevails.

But achieving this will require a very strong understanding of economics and principles of good governance. I request that RSS carefully consider and adopt SBP's manifesto. Only then can RSS help India become a great nation.

## Liberal policies are the only proven way to improve the lives of the poor

Poverty has been the natural state of mankind for tens of thousands of years. It is prosperity that is abnormal. In fact, the elimination of poverty requires mastery of a rather challenging science that is more counter-intuitive than quantum mechanics. It is called economics. It officially began with Adam Smith's 1776 tome, *The Wealth of Nations*, in which he studied in great detail the reasons why some nations become wealthy. Most of his findings have been confirmed over the past 250 years.

Only those nations whose leaders have a deep understanding of economics, governance, trade, incentives and prices can become prosperous. All other nations, such as India today, are destined to remain in a primitive state of nature.

Good economic policy makes a huge difference. In many ways, the poorest Americans and Australians live far better lives than the richest Indians. Morarji Desai was stunned when he first visited abroad, in 1958. He found that capitalist societies were not only much more prosperous than socialist India, they were also socially equitable. He remarked to Welles Hagen, an American journalist, after his trip, that "In your country the manager and the worker sit together without any embarrassment. Many times the worker's clothes are as good as his boss's and the car he drives to work is also as good". Thus, in Australia, a plumber or technician often earns more than a senior manager in the private sector.

Wealth is, at its core, about productivity. The plumber in the West makes use of extraordinarily sophisticated machines to work far more productively than his socialist Indian counterpart. It is these machines (and the skill to use these machines) which explain the productivity of labour in the West, and it is the free market that explains the existence of such machines and the constant flow of innovation. Sadly, socialist India doesn't have a single company that can make a decent knife, let alone sophisticated machines for plumbers.

The trends of the past 300 years since the industrial revolution are clear: it was the advancement of liberty and capitalism – in the West first, then in Japan and the Asian Tigers (Hong Kong, Singapore, South Korea and Taiwan) – that explains the creation of wealth. That some of these nations were imperial powers for a while was actually detrimental to their progress. In any case, the plight of India today is definitely not due to British "exploitation". It is entirely self-made.

Economics shows us that prosperity requires a highly skilled and well-educated workforce, efficient and non-corrupt governance institutions that provide public goods, independent non-corrupt judiciary, impartial world-class legal system, strict rule of law, secure property rights, low taxes, sound money, free markets, free trade and limited government.

The only reason India's poverty has reduced somewhat in the recent decades is because the 1991 liberalisation released some sectors from bondage to Ministers and bureaucrats. The success of liberalisation (such as mobile phones) confirms that India's poverty is entirely self-made.

Liberalism succeeds because it allows the free flow of critical information. A freely moving price system allows intense competition and specialisation to develop based on comparative advantage.

Crucially, free trade allows relevant technologies to be imported so that labour can be upskilled and made more productive.

The story of the garment production industry is a case in point. It has moved over the past 60 years from the West to the Asian Tigers, to China, India, Bangladesh and Vietnam. In each case, investors brought the best available machines and hired local labour which was then upskilled and made more productive. As the labour became more productive, its wages rose and investors then moved to another lower-cost labour country. It was this ability to invest freely that led to the creation of jobs for the poor and then led to the elimination of poverty. Once wages rise in Bangladesh and Vietnam, the garment industry will move to even poorer countries.

India's passion for the socialist ideology has badly one sector in particular: the farm sector. Farmers are continuously held back by a regime that restricts their freedom of action through restrictions on access to technology, bans on exports and through restrictions on the movement, storage and processing of agricultural commodities. Coercively low agricultural prices (often irrationally volatile) have impoverished farmers, resulting in rural poverty, indebtedness and unemployment. While food security is a major issue for India, shackling farmers – that socialists specialise in – is *not* the solution.

Education is another major area ripe for reform in India – by the government getting out of the sector (except for funding the poor). In particular, we need to imbibe key elements of the Swiss Dual VET model which yields significant leadership to the private sector. Without massive upskilling of the poor, led by the private sector, there is simply no hope of increasing job prospects in the unorganised sector.

Sadly, the socialist governments of India, such as the Modi government, insist on acting as a barrier, not promoter of enterprise and education. Liberal policies will eliminate all such barriers and also ensure an effective governance system where timely justice is a key focus and commercial contracts are efficiently enforced.

It is the combination of strong but limited government and a massive increase in free enterprise, that will create opportunities for the poor in the unorganised sector of India. As Gandhi said, 'All the help that the poor need is that the world get off their backs'. Let's do that.

There will necessarily remain a few who suffer from infirmities, physical, psychological or cultural, and require support – despite the best efforts to create opportunity. For such people we don't need cosmetic "programmes" that merely divert taxpayer money to bureaucrats and politicians, or create useless assets like the toilets under Swachh Bharat programme that no one uses. We need to directly eliminate dire poverty. The liberal policy of Swarna Bharat Party will directly provide a top-up income transfer to those below the poverty line to ensure that no one starves.

Socialism always exacerbates poverty and creates injustice. It is not at all surprising that hundreds of millions of people in India continue to be desperately poor. It is time for India to uproot socialism and adopt liberalism, the only system that is proven to dramatically improve opportunities for the poor.

## Sure, Adityanath, do build a Ram statue – but with your own money on your own land

Yogi Adityanath's plan to build a Ram statue comes from the party which for thirty years has hammered us about the "pseudo secularism" of other parties.

There was a time when we thought the BJP knew the meaning of secularism. When it said that the Haj subsidy amounts to appeasement, we agreed. In 2012, even the Supreme Court set in place a process to dismantle the subsidy.

But BJP's intent was different – to impose Hindutva, a collectivist political ideology derived from a distorted understanding of Hinduism. Instead of separating the state and religion, BJP has been stoking the Ram temple issue and imposing bans on cow slaughter. Even if it were true that Hindus don't eat beef, BJP's imposition of its beliefs through the machinery of government wouldn't pass muster as an example of "genuine" secularism.

So, while we can agree that Congress is pseudo-secular, BJP is no role model in this regard. We need to go back to the basics.

The idea of divine right of kings ended in England with the 1688 Glorious Revolution. As a corollary, in 1689, John Locke set out the principle of separation of state and religion – that God "prescribed unto His followers no new and peculiar form of government, nor put He the sword into any magistrate's hand".

This separation of the two key jurisdictions in our life: religion and state, has thereafter been a foundational principle of Western civilization. Without it, the Church may well have vetoed scientific progress and the West would have remained poor.

Jefferson and Madison incorporated this principle into the first amendment to the American Constitution that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof".

And India? It is true that kings in ancient India were tolerant and hosted multiple religions (including multiple sects of Hinduism) but this can't qualify as genuine secularism since the kings also claimed a divine lineage – and thus divine rights.

Upon gaining independence, our founding fathers tried to graft the Western concept of secularism into our Constitution, but mangled it up. Thus, our directive principles include a policy that, in the weirdest guise – of scientific animal husbandry – seeks to impose a set of religious beliefs on the people; and the Constitution refers to minorities and castes. Even Indira Gandhi's 1976 amendment to the Preamble failed to achieve anything resembling secularism. Our governments continued to enact religious laws, manage religious bodies and spend taxpayer funds on religious events.

Today, the UP government has taken a huge step backward. It wants to build a statue of Ram, a Hindu god. Some intellectuals are saying that the statue is justified as it will increase state revenues through "religious tourism".

But we must note that at least some of the taxes used in this statue would amount to forcible extraction from those who do not believe in Ram. It is hard to work out the difference between such taxes and the much hated *jizya* that BJP's founders railed against.

Genuine Hindus should be alarmed: wouldn't the Ram statue be polluted by such plunder from non-believers? In fact, this situation is similar to what the Supreme Court said in 2012 in relation to the Haj subsidy, that "if all the facts are made known, a good many of the pilgrims would not be very comfortable in the knowledge that their Haj is funded to a substantial extent by the government".

We can't expect much from our Supreme Court. Without its tacit and often explicit support, the gods embodied in statues in temples would not have been able to exercise independent legal rights. These "rights" given to invisible entities make a mockery of our Constitution since such gods are not citizens, voters or taxpayers, and cannot be held to account for anything. Without the judicial system's support, governments across India would also not have had the backing to interfere with the management of religious bodies.

A recent example illustrates this: The Supreme Court adjudicated on temple rituals and the use of reverse osmosis water for *jalabhishek* in an Ujjain temple. Now, why would a lingam that is located inside someone's private property be of concern to any non-Hindu? The Hindus should have resolved this matter on their own. By spending precious Court time (hence taxes) on a purely Hindu matter – even as a huge backlog of cases continues unattended – the Court has not given us much hope.

True, the Supreme Court has seen at least some light. As a result, processes are now in place to abolish the Haj subsidy by 2022. The Supreme Court should now come out firmly against the use of taxes to support any religious activity.

It might well be acceptable for a government to exempt religious charitable institutions from paying taxes but it is unacceptable for a government to spend taxes on any religion, even where the money will presumably be recouped manifold.

The Parliament must also clarify this matter, preferably through a constitutional amendment. Swarna Bharat Party is committed to such a clarification, including the abolition of directive principles and all religious Acts.

A government exists solely to provide us with public goods – things that we cannot produce or maintain on our own. The government is best visualized as a street sweeper, security guard and umpire – all rolled into one. Good governance focuses on these core functions. The state has no business to dabble with the multiplicity of ever-changing beliefs of the people. Citizens are competent enough to pay for their own gods.

Adityanath has full rights to his faith in his private capacity even as he serves as Chief Minister. All our party is saying is that he can't use the machine of government to promote his faith. He can build a huge Ram statue if he likes, but at his own expense on his own private land.

Our party objects not just to BJP's and Congress's attacks on secularism. The President of India is also implicated whenever he hosts a religious event. He is welcome to host Iftar or any other event – but at his own expense. And wouldn't it send the right signal if he chooses instead to attend,

uninvited, the Iftar meal of the poorest Muslim he can find? Don't religious leaders tell us that the way to God is through serving the poor?

One last related matter: What about the thousands of non-religious statues built by governments? We believe that statues of important historical figures can legitimately be built by the state, but only in extremely exceptional circumstances. If built, such statues should be modest and serve an educational purpose, such as in a museum or in the Parliament. Building extravagant statues of Shivaji, even of Sardar Patel or Gandhi, while millions of poor remain hungry, is not consistent with the role of government.

## A principles based pathway to resolve the Babri Masjid issue

In 2010 the Allahabad High Court divided the 2.77 acres of the Babri land in Ayodhya between the Nirmohi Akhara, the Sunni Wakf Board and the representative of Ram Lalla. This set a precedent for future extra-Constitutional seizures of private land: first bring in mobs to encroach and seize land, then go to court with a god-story that no human can verify and demand that the court hand over that land to you.

Note that there was nothing and there remains nothing to prevent the Muslim owners of the Babri Masjid land from gifting it to those who believe (without proof) that Ram was born on that exact spot, but there is no obligation upon them to do so. And they have full rights to appeal this proposal to coercively transfer of their land to those who broke down their mosque.

The Supreme Court has not addressed the fundamental legal question: can private land be forcibly seized by other private people in independent India? Instead, it has appointed a three-member panel in March 2019 for mediation, a method that implicitly supports the intent of the Allahabad High Court to give away people's land to others.

While our party will accept any conclusive solution (if achieved in this case) in the interest of peace, I believe the Supreme Court has gone down the completely wrong path and that such mediation with forcible encroachers is inconsistent with the Constitution.

The Supreme Court seems to think there is a property dispute here, but there is none. This is a plain and simple case of encroachment of private property and demolition of that property through medieval mob violence in an attempt to get it for free. Only rowdy countries allow that, not Constitutional republics.

The only way this could have become a property dispute is if there was an unbroken chain of ownership of that land by Ram and his successors in authentic official land records. But even if there was such proof of ownership prior to the Masjid's construction, it would not mean much now given the law of limitations which would limit even such claims.

The courts of India are a creature of the Indian Constitution and must recognise private property ownership as at 15 August 1947. We know for sure that at independence, the said property was owned and actively used by the Muslims of Ayodhya as a mosque. The land in question had also been duly registered in 1936 under the Waqf Act, which created an inalienable right on that land.

We note in this regard that the British did a very good job of governance (unlike the independent Indian governments) and vigorously prevented attempts to encroach upon this property. But the moment India became independent, the concept of laws and the rule of law was thrown into the wind. We now know that members of the district administration of Faizabad themselves became criminals by encroaching upon this land and placing a Ram idol (Ram Lalla) inside the mosque in 1949. Nehru immediately asked that the idol be removed but Indian administrators were full-fledged criminals by then and did not follow even their own PM's directive which was based on the laws.

In 1992, the government actively participated in the criminal destruction of the mosque: the masjid was destroyed in the presence (or rather, under the protection) of the police. Today, things are so

deplorable that the BJP has given a ticket in these Lok Sabha elections to one of the self-proclaimed breakers of the masjid.

The government's "Raj Dharma" is to protect private property. That is what is known as Ram Rajya. That dharma was actively violated by all governments of independent India. I have first-hand reliable testimony from an IAS officer who worked closely with Narasimha Rao in 1992 about how Mr Rao was supportive of the demolition.

What bothers me personally is that the groups who claim to "represent Hindus" have used the same uncivilised and uncouth methods that they claim Muslim rulers used in the past. It is alleged that Muslim rulers used force. But the Hindu groups have used both subterfuge and force. Ram would have been aghast.

The bargaining (mediation) underway is all about twisting the arms of the Muslims. We know the rabid views of the Hindu "spiritual" guru who is part of the mediation team. Muslims are being taught that India is now a *de facto* Hindu Rashtra, where the government actively supports the encroachment and demolition of their property. And a rabid "guru" has now been deputed by the highest court of the land to lecture them. Muslims must know by now that India's Constitution is not worth the paper it is written on. India is not a Ram Rajya but a rowdy republic where the law of the jungle prevails.

The liberals, on the other hand, insist on the rule of law and protection of private property. We believe that a principles-based approach can be applied even now to defend the rule of law and protect the self-respect of our fellow citizen Muslims.

First, the government must complete the acquisition of land and heavily compensate the Muslim owners of the mosque, well more than the market price of the land and property. The masjid should be valued as an ancient heritage monument, not just an ordinary building. That will enable the Muslims to build an alternative Masjid. Once compensation is provided, the land should be put out to auction to the highest bidder.

A civilised society works on the basis of money, not force. If someone values something more than another person, he should put his money where his mouth is.

If this land was so precious to Hindus the civilised thing would have been to collect vast amounts of money and offer it to the Muslims. Instead, these people are also cheap and want that land for free. That is the real issue.

Our party would not ordinarily support acquisition of private property for matters unrelated to the provision of infrastructure. But in this case, acquisition can be justified since the ancient building has already been destroyed and the government can make a significant profit that can then be put to public use, including for poor Muslims.

Before the auction, the land should be cleared entirely. Thereafter, an independent auctioneer should accept sealed bids from any citizen or group of citizens for this land in a well-structured and transparent process. If the auction is conducted properly, the government will achieve huge profits, enough to support the education and health for millions of poor people. But what if some bidders want to build hospitals or educational institutions on this land? That should not matter to the

government. If Hindus care so much for this precise spot, let them put their money where their mouth is.

## Kautilya would have totally rejected the idea of the IAS

India's governance has failed in two key aspects. Its policies are based on the failed economic system of socialism and we follow the British imperial administrative system of district magistrates and the IAS, which was designed to control, suppress and exploit India.

We can gain valuable insights into both these aspects by reviewing Kautilya's *Arthashastra*. Without doubt, this work must rank alongside the great works of all time, particularly in the field of economics and administration. Many insights embedded long ago in Kautilya's work were discovered by economists only over the last century.

Western economists don't know much about Kautilya's work but Balbir Sihag, an academic of Indian origin in the USA has dramatically improved our knowledge about the economic insights that informed ancient Indian governance through his 2014 book, *Kautilya, the True Founder of Economics* in 2014.

I had acquired a copy of Rangarajan's 1992 translation of *Arthashastra* years ago but it was Sihag's work that inspired me to examine the book critically as an economist. And it is clear to me that Kautilya was indeed the true founder of economics even though his work is not well known even to the people of India.

Kautilya's economic system is best described as well-regulated capitalism, although it had a few elements of state intervention in the economy and trade which are probably inconsistent with modern understandings of economics. However, it is very clear that his was a profit-oriented system, completely distinct from socialism. Kautilya would have chastised Indian leaders who, till today, follow a largely socialist model of economy. He would have opposed any attempt to bring about forced economic equality amongst people.

He favoured an open economy and particularly focused on imports. He wanted imported goods to be sold in as many places as possible {2.16.4 – Rangarajan's translation}. To encourage imports of foreign goods he provided such merchants exemption from taxes and allowed them to make high profits. He recommended a regulatory system, not prohibition, for "vices" like alcohol and prostitution. And the meat of male calves, bulls and barren cows or those that died naturally was included in the many types of meats available in the Kautilyan economy.

Kautilya was a pastmaster in his understanding of governance and incentives. As Sihag notes, "Kautilya realized that the same type of material incentive might not work for the Chief of Defence and for an ordinary soldier. Accordingly, he considered many kinds of material incentives, such as efficiency wages, promotion and job tenure to match the specific needs and position of an individual employee".

Accordingly, "he was, perhaps, the first economist who suggested payment of efficiency wages" (Sihag), the first being Robert Solow in 1979. The king paid a wage higher than the market wage to key ministers and executives so they would work honestly in order not to be removed from that job. "The highest salary paid in cash, excluding perquisites, was 48,000 panas a year and the lowest 60 panas a year. The ratio of the highest salary to the lowest, was eight hundred to one" (from Rangarajan's translation). Kautilya made it clear that this sum was high because it would be "enough to prevent them from succumbing to the temptations of the enemy or rising up in revolt".

“Kautilya suggested that material incentives be matched to the specific rank of the employee to elicit maximum possible effort. He suggested that the king should rely more on payment of efficiency wages to upper grade employees, such as Chief of Defence, Councilors, Chancellor, Treasurer, Auditor and Ministers. On the other hand, the king should rely more on granting promotion and job tenure to the middle and lower grades employees, awarding prizes to soldiers and giving gifts to piece-rate workers” (Sihag).

While a very high wage was paid in the high positions, these roles were subject to close monitoring by the king and termination, even death, for breach of trust. Kautilya discusses the active surveillance of his officials and the treatment to be meted to errant officials. This ranges from confiscation of property and dismissal, all the way to death.

Thus was India’s system of administration legendarily honest and incorruptible, as reported by many travellers into India over the past two thousand years before British rule.

Many aspects of this system are followed in some way or other in the best administrations of the world today, such as Australia and Singapore. In both cases top positions are very highly paid but held to account for results. In Australia, the positions are contractual and lower positions have greater tenure. In Singapore, the civil service stringently weeds out the poor performers.

Sadly, we continue to follow the British imperial governance system in India today. It is a uniquely unaccountable system, made worse by Part 14 of the Indian Constitution which gives the public services a special status. No other major democracy has incorporated so many protections for its public services.

When I go to the villages across India, I talk about the need to understand Kautilya’s *Arthashastra*. Although not everything in *Arthashastra* needs to be implemented exactly the way it is prescribed, there is enormous value in following the broad principles he articulates, which are very similar to those followed in the successful Western capitalist societies.

## Sabarimala: a serious case of judicial over-reach

At the outset let me note that I have the greatest respect for India's Supreme Court which has been instrumental in preventing India from becoming a Pakistan. So it is with reluctance that am writing about a disagreement with one of the Supreme Court's recent judgements, on Sabarimala.

In the meantime, till this issue is resolved, one would hope the Kerala government will continue to enforce the judgement, but with sufficient restraint so as to prevent any injury or harm.

I must begin by stating that I have no religion – in fact, I oppose all religions. I consider religion to be divisive, at times inhumane, and generally lacking in respect for reason and scientific evidence. But I also defend everyone's right to their beliefs and forms of worship, so long as they do not physically harm anyone.

My anti-religion position does not represent our party's view. Our party has no view on any religion or on any religious matter that does not involve physical harm. We have nothing to say as a party about Sabarimala temple's custom of not allowing women in a particular age group to enter. The Supreme Court's judgement, which has made an issue out of a non-issue, has taken us by surprise.

I'm summarising below our party's main objections to the Supreme Court's judgement.

First, the government and Supreme Court are our servants, paid by us – the citizens – in accordance with the social contract we gave to ourselves through our Constitution, to perform one key job: to defend our private property and freedoms – including our freedom of belief no matter how absurd.

It will be an impudent misuse of the power that we entrusted our servants on 26 January 1950 for them to start telling us what to believe or how we may believe. Social or cultural or religious change is totally outside the scope of the functions that we gave the government or the Supreme Court.

Justice D.Y. Chandrachud makes a startlingly huge category error when he considers that he has the power to correct customs or rituals that may be inconsistent with fundamental rights. He must go back to the basics to be reminded that citizens are never accountable to the fundamental rights. These rights are a restriction *solely* on government, never a restriction on individuals. Individuals must remain entirely unrestricted at all times unless they actively harm someone. Any perceived stupidity of the master (citizen) is not justification enough for the servant (government functionary or judge) to correct the master's behaviour. The reason we have an independent judiciary is not because we wanted to create an unelected source of power who would tell us what to believe, but to stop the elected executive from unchecked misuse of power.

A Supreme Court judgement is always an instrument of the state – and involves use of violent, coercive force through the executive. But the use of force to change people's non-violent beliefs is fundamentally wrong. In this case a massive police build-up in Kerala is being used to change the way people choose to worship. The liberal and humane approach would have been for the judges to buy out the temple with their own money, then persuade the believers to change their belief. Or they could have simply expressed their views humbly in any blog or academic journal or newspaper, for the temple worshippers – the citizens and owners of this country, their paymasters – to consider.

These ideas so basic that it is amazing that the Supreme Court has even entered this space. Justices Chagla and Gajendragadkar had made this issue abundantly clear in their 1951 Narasu Appa Mali

Bombay High Court judgement, in which they said that uncodified personal laws do not fall within the jurisdiction of courts. Matters of culture and personal or religious belief are *not* laws.

Of course, the freedom of religious belief is not absolute and where any grievous physical harm is caused (e.g. sati, child marriage, torture of animals), the government and the courts do have a responsibility to step in and provide protection. For instance, a law was recently made in Nepal to criminalise the isolation of menstruating women. This is a borderline case but it can be justified since real harm was being caused to some women. The Sabarimala case is totally different: no woman has ever been physically harmed.

Second, the question of property rights. Who owns this temple? It turns out Sabarimala is owned by a Devaswom Board under the *Travancore-Cochin Hindu Religious Institutions Act, 1950*, and also receives some state funding. The petitioners in this case used the existence of various forms of government intervention in the temple to argue that “after the insertion of Article 290-A in the Constitution and the consequent State funding, no individual ill-practice could be carried on in any temple associated with the statutory Devaswom Board ... as this constitutional amendment has been made on the premise that no ill-practice shall be carried on in any temple which is against the constitutional principles”.

This argument is deeply flawed. In the first instance, it is wrong for government to dabble in religious assets. Our party’s position on the ownership of temples by government is very clear: the state must *never* own, manage or fund any religious asset including temples or mosques. These must be fully privatised – returned to the community immediately.

But even where the government has temporarily got involved in temple management due to some quirk of history, it doesn’t make such a temple the property of government or into a public place like a railway station. The government merely acts as a trustee, a clerk managing the accounts, a servant. There is no implication that the state somehow owns the temple and can therefore dictate religious practice or intervene in matters of belief. In fact, it is precisely to get out of such conflict of interest, that the servant of the people – the government, must never be put in the position where it has to manage religious property.

Third, a key argument reported in the papers was that banning the entry of women into the shrine is gender discrimination. But what do the judges expect from religion – an obscurantist, irrational belief system that originated thousands of years ago and which involves myriads of discriminatory and divisive practices? There are no “insiders” or “outsiders” in science but every religion claims that followers of other religions can’t be “saved”. Religion is the anti-thesis of reason and must be treated as a separate zone of human contemplation. So long as no one is harming others physically, they should be allowed to imagine and do anything they wish. Remember: People are not minions of the government or courts; it is the other way around.

This judgement is an attempt at social engineering and a foundational attack on freedom of thought and religious belief. It attacks the core principles of liberty enshrined in India’s Constitution.

We believe the Supreme Court should urgently reconsider this judgement. At the same time we don’t want the Parliament to make any further laws in this matter as that would amount to further interference in religious affairs. At the same, time, we ask the Modi government to hand back all

temples to the community and repeal all religious laws, thereby nipping this evil of socialist statism in the bud.

## Modi has skipped all the essential steps before Article 370's abrogation

Our party has long been committed to the abrogation of Article 370. And if the Modi amendments are found to be legally valid by the Supreme Court, we would not ask for the restoration of Article 370 protections for J&K. On other details – we support Ladakh's constitution into a union territory (UT) even as we reject the conversion of J&K into a UT.

But the main problem here is the way these changes have been brought about. Our party's first comment, within an hour of the introduction of the Jammu and Kashmir (Reorganisation) Bill, 2019 on 5 August 2019 was that "SBP's manifesto supports abrogation of Article 370 but the way it has been done is inconsistent with liberty and democracy".

How would we have done it? Our party's manifesto says that this reform should "be done in a manner which assures liberty to all Indians through a range of other reforms detailed elsewhere, and allows good governance to be established everywhere in India. Only after the rule of law along with equal opportunity has been brought to all Indians, will we request a recall of the J&K Constituent Assembly (as required by Article 370(3) of the Constitution) to consider this amendment. Without the goodwill and consent of the people of J&K, such an amendment will violate the spirit of democracy and liberty".

None of these things happened. Instead, Modi skipped all the essential steps and went straight to the last step – that too in a mind-bending way reminiscent of a science fiction wormhole through the fabric of space and time. An absurd claim was made that the government of J&K itself has recommended the removal of J&K's autonomy. Without a single debate occurring on this issue in J&K.

The legal situation, however, is that a governor is a caretaker acting on behalf of the President while an assembly is reconvened. Under such circumstances a governor cannot take decisions about the very existence of the state which he governs. Even assuming that the J&K constituent assembly can be deemed to have been recalled through the legislative assembly, it is mischievous fiction to claim that a governor is also that legislative assembly. A Baghpat-born, one-time MP from Aligarh of 1989 who assumed office in Kashmir's Governor from 23 August 2018 can never reflect the views of millions of people who have lived in Kashmir all their lives.

And so on 5 August 2019 I started getting a strong sense of *déjà vu*. My experiences of dealing with ULFA and the Bodo terrorists in Assam flooded into my mind. It was clear to me from that experience that if the youth decide something, they do not hesitate to put their life on the line. I was also reminded of the failure of the USA to control Vietnam. Armies can never control a people.

Modi had not a single friend in Kashmir to speak out for the changes he wanted. All he had was a pliant Governor from the cow belt and control over the armed force. Brute power. Nothing else.

The right way to do this was to win the hearts of the people of Kashmir. For that he needed to ensure good governance and the rule of law in Kashmir but for the past five years he miserably failed to do so. And so he has chosen to mainstream Kashmir in a manner that directly attacks the sense of

self-worth of millions of Kashmiris. He has effectively told the people of Kashmir that only their land matters to him, not the people.

Nations are built on stories and in these stories, perceptions matter. Self-respect matters most. As our party's leader from Assam, Pankaj Das has pointed out, poverty never drives secessionist movements. It is all about alienation – the feeling of dispossession, helplessness, not being part of the nation-building narrative. Wherever these issues have been resolved it has been through empowerment and not mainstreaming.

Being acutely aware of the severe risks from these events, our party appealed to Kashmiri youth on 6 August to “take a positive approach, overcome any concerns and work for change”. One only hopes that Kashmiri youth will process these events positively. They should note that even though a majority of Indians seem to be celebrating the crushing out of Kashmir's autonomy, there are parties like ours that remain committed to liberty and democracy and doing things the right way. Some good write-ups have also appeared in India's press questioning the way this has been done.

Modi's approach is reminiscent of Indira Gandhi's declaration of Emergency. Surprisingly, Mr Advani, who was himself locked up by Indira Gandhi and who therefore committed to India that such undemocratic actions will never happen again, has supported the way Modi has locked up Kashmiri leaders and shut down Kashmir. Skin-deep – Advani's and BJP's commitment to democracy.

There was a reason why Gandhi always insisted that the means and ends must match. Subverting the Constitution and subverting democracy will not bring Kashmir happily and willingly into India's fold. No doubt Article 370 was inconsistent with a united India and had to go, but there was a civilised way to do it.

Emerging reports of mass unrest in Kashmir from BBC and Aljazeera are a cause for alarm. Are Kashmiris going to rise to oppose this change? If that happens, Modi's hastily and ill-thought actions may well end up pushing Kashmir into the welcoming arms of Pakistan. This much is sure – that Modi's actions have gifted the Kashmiri separatists a huge surge of support. It will literally be impossible now for pro-India Kashmiri leaders to argue their case. The sporadic Kashmiris who have spoken up on Twitter (since the internet is still shut down in Kashmir) are expressing grim emotions.

The only advice our party can give the Modi government after he has badly messed up this reform is that he should urgently implement the governance reforms detailed in our party's manifesto so that the youth of Kashmir can see the benefits of staying with India.

I wrote a booklet in 1997 in which I expressed the hope that the whole of pre-partition India might well ask one day to re-unite if India implements strong economic and governance reforms. But with the ham-fisted strategies and brutish methods of the Hindutva crowd (the same people who fought against independence and actively supported British rule), India may struggle even to ensure basic peace.

## A significant alternative view on the history of Hinduism

I'm taking a short break from political and economic matters to discuss Hinduism. I don't have any religion but have considerable interest in the history of religions.

Sanjay Sonawani, a Marathi writer has proposed a rather different view about Hinduism than the one propounded by Hindutva ideologues. His books, *Origins of the Vedic Religion: And Indus-Ghaggar Civilisation* and a recent book, *The Origins of the Caste System: A New Perspective* challenge commonly held views about the origin of Hinduism and caste. If his thesis is true, then it will have social and political impacts in India by reshaping the beliefs of hundreds of millions of people.

According to him, Hinduism is a jigsaw puzzle and current theories of Hinduism and caste don't fit. The main theory is that the Vedic religion is the source of Hinduism but Sonawani believes it is not possible for the fire-worship and non-idol worshipping Vedic belief system to have suddenly morphed into fertility-occultism and idol worship. From Kedarnath, Kashi and Somnath across to Hampi, many Hindus follow an ancient Shaivite and fertility worship tradition which is fundamentally different to the Vedic religion. Sonawani believes that Khajuraho or Konark cannot have possibly arisen from Vedic thought. And of course, if the Vedas are indeed the source of the "common" variety of Hinduism, why are Vedic gods missing from places of Hindu worship?

Apparently some scholars have reconciled this problem by claiming that idol worship was added to Hinduism during the *Purana* era. This, however, does not reconcile with archaeological proofs about the remote ancestry of fertility worship. Also, the ritualistic practices of the Vedics are based on Vedic guidelines (Vedokta) while Hindus conduct their rituals with Puranokta (based on *tantra*).

Sonawani's research shows that Hinduism and the Vedic religion are entirely distinct. Moreover, and this is likely to be even more important if true, he finds that *jati* (commonly but mistakenly associated with caste) is entirely unrelated to Hinduism, being a mere economic occupational category prevalent in ancient Indian society. He shows that *jati* was not rigid and its relative rigidity is only a thousand years old. He believes that this happened because of economic forces and opportunistic attempts by the Vedics during India's medieval economic crisis to graft their *varna* system on *jatis*. If this is true, then *jatis* would dissolve quickly once the Indian economy liberalizes and the poor get an opportunity to rise.

These are bold claims but have been tested widely in Maharashtra. Sonawani's three editions in Marathi have received innumerable responses but no one has been able to refute his thesis. So it is time for the nation's scholars to look into it and work out whether this proposal makes sense.

Sanjay Sonawani finds that the Vedic religion came into ancient India via a relatively few Vedic refugees from South Afghanistan. These refugees had fought numerous wars with their co-religionists (the Zoroastrians) and had been forced to flee. But entirely separately, for thousands of years, India had seen the evolution of an occupational *jati* system. The *jatis* were mobile, being based on technical expertise and innovation. Occupational guilds were an expression of the economic clout of these *jatis* which remained dominant at least till the tenth century A.D. and also issued their own coins.

Socio-political and economic circumstances began to change for the worse from the tenth century, including a series of terrible famines and the take over of trade by new Muslim rulers, so the guilds finally collapsed. These crumbling guilds established defensive barriers to entry in order to minimize competition. These events led to the fabled self-reliant villages, where occupations become more and more hereditary.

In the meanwhile, the Vedics had, after almost two thousand years, managed to finally gain a small political foothold during the Gupta era through royal patronage. This gave them the opportunity to proselytize, with their first goal being to create and increase the number of Brahmins. They now had the resources to motivate priests of ancient Hindu temple to convert into Vedic Brahmins. Sonawani shows that Hinduism did not have any Brahmins and, in fact, till today a number of Hindu temples do not have any concept of Brahmin. By “upgrading” these priests, the Vedics were now able to take over many valuable Hindu assets and rewrite Hindu texts to introduce *varna*. Once the Vedics had managed to persuade Hindus to install them at the top of the pyramid, the rest was easy.

The economic collapse that took place a thousand years ago gave the newly converted mass of Vedic Brahmins the opportunity to link the by-now more rigid *jati* system with *varna*, by claiming that the poor economic condition of the “lower” *jatis* was the outcome of actions in their previous births. Caste assemblies inadvertently reinforced this message of segregation of *jatis* in their economic self-interest to shut out competition. At the same time, the Vedics launched a major attack on the ancient system of *tantra*, gradually causing the Hindus to suspect their own previous worldview. A sense of impurity and pollution was introduced into Hinduism, leading to the development of untouchability. Despite this, many Hindu rituals and idols continued to remain *tantra*-centric and a significant level of social and occupational mobility remained.

With the arrival of the British, the Brahmins gained a further opportunity to advance their Vedic agenda. The Brahmins were the first to explain Hinduism to the British. The British liked to think about Vedic supremacy and claimed that it came from the West. The magnitude of the seeming takeover of Hinduism by the Vedics seemed so significant that the British thought that this could only have occurred as a result of a major invasion. The Aryan Invasion Theory was therefore promoted and received a huge boost. The British began consciously preferring the “higher” *varnas* for administrative appointments and did not study of the *tantra* traditions and the religion of the common people outside the big towns.

They also started classifying Indian people into five different “races” and began looking for a racial link between *jati* and race – if true, this would further support their sense of superiority. In this conducive atmosphere, some Vedics began dreaming of a full-fledged revival of the Vedic religion – something even the Brahmins had ever thought of trying in the past.

With power in their hands, the modern caste “system” was now ready to be created. The British census provided a convenient tool. During the census, many *jatis* sought to “upgrade” their *varna* by changing caste names (today, of course, many *jatis* seek to reduce their official social status, it being more profitable to do so). In this manner, the superficial and half-baked British histories of India and Hinduism manage to obscure what had been widely known till their time – that Hindu and Vedic religions were distinct. Subsequent generations of Indian elites have grown up with this distorted British view, given also the fact that many Vedics managed during British times to launch pro-Veda movements.

This racist history of Hinduism had strong political implications. The elites from the “lower” *jatis*, who had been mis-educated through British interpretation of Indian history, now underwent an identity crisis. Many blamed Brahmins and the *Manusmriti*, having forgotten that they (the *jatis*) had themselves chosen to hunker down into a hereditary system a thousand years ago. Anti-Brahmin movements began and many caste conflicts became violent.

Sonawani’s research demonstrates that while *Manusmriti* is problematic in some ways, its intent and reach was extremely limited – only to the very few Vedics at his time. It had no role in humiliating the “lower” castes since it was never used against them. To grasp this Sonawani asks us to understand the origin of the Shudras. Shudra was the name of a tribe into whose lands the band of Vedic refugees first settled. The Vedics later broadened the use of this term to mean all non-Vedics. Manu notes the existence of many neighbouring Shudra kingdoms which shows their political and economic clout in comparison to the Vedic refugees. At the same time, the Vedics were able to hire a few low income Shudras as personal servants. It was to prevent the intermixing of the Vedics with these servants, something which was starting to occur, that Manu dictated his humiliating commands against the servants. These commands were not intended, nor could the feeble Vedics refugees possibly have applied them to the broader Shudras (the Hindus).

According to Sonawani, it is very clear that Vedic project to graft *varna* on egalitarian Hinduism did not quite work out as intended. The mapping of *jatis* to *varna* is a failed project. Many similar *jatis* have been mapped onto different *varnas* in different parts of India because of local economic conditions. Thus, a *jati* is touchable in one region of India but untouchable in others. This further proves that there is no link between *jati* and *varna*. The “caste system” is therefore, in Sonawani’s view, a figment of the imagination of historians who have been tutored in ignorant British interpretations of history.

Sonawani believes that Hinduism is entirely egalitarian and must be rescued from the embrace of casteist Vedic religion. He believes that underlying Hinduism is entirely consistent with liberalism.

I would like to see significant and urgent research on Sonawani’s thesis across the archaeological and history departments of various universities of India and the world.

## The Chinese transformation is based on mastery over economics

China's transformation from being a communist backwater under Mao into an efficient and powerful nation today in the span of four decades boggles the mind.

There is something amazing about the scale of its transformation. China produces half the world's steel and is the world's largest exporter with seven of the world's ten largest ports. The huge size of the bullet train maintenance centre in Wuhan is a spectacle to behold. And many of China's public sector companies perform at world-best levels. The State Grid Corporation of China is the world's largest power company and also the most efficient, with extremely low transmission losses. And while corruption continues to dog China, it is steadily decreasing.

True, China has a few more decades to go to overtake the West – its current per capita income is still only around a third of an average Western nation's. But to have an economy larger than that of the USA is no mean achievement.

How did this huge change come about, and is there anything India can learn from it?

In a Ted talk in 2013, Eric Li asserted that China's authoritarian model is superior to the Western democratic model because it promotes a meritocracy. But that begs the question: what exactly is merit? If China had continued to promote a "meritocracy" that was good at reciting *Das Kapital* or Mao's *Little Red Book*, it would have remained a miserably poor nation. But today, merit in China means mastery of the standard economic model. And that is the key message for the world.

China is now an unambiguously capitalist nation, with a form of state capitalism modelled after Singapore. Its underlying core is the free market, property rights and profit. Mao's communism has been entirely dumped, so the name Chinese Communist Party is completely misleading. But I suspect the Chinese are in no rush to change this name or to remove Mao's huge portrait from the Gate of Heavenly Peace.

The true Chinese model today is perhaps best understood from the 2012 book *How China Became Capitalist* which Ronald Coase, the great economist and Nobel prize winner, wrote at age 102 along with N.Wong. This book should be supplemented by Lee Kuan Yew's autobiographical books and interviews.

Mao claimed to have read Adam Smith and JS Mill at around age 19 but obviously these readings were wasted since he did not understand the market system, either because he was mentally immature at that age or because it was beyond his grasp. At university he adopted the distorted version of economics known as Marxism and went on to run China's economy aground as a communist leader, apart from presiding over the massacre of millions of Chinese.

Adam Smith re-emerged in China only in the late 1970s – when a few Chinese leaders started touring the West, including Japan and Singapore. They were gobsmacked that these countries could make such huge progress while China remained so backward. They were "forced to appreciate the extraordinary strength of capitalism in innovation". It was clearly too late for Mao to learn anything new, so after his death in 1976 the new President Deng Xiaoping (in power from 1978 to 1989) rushed for advice to Lee Kuan Yew in Singapore in November 1978.

This was a pivotal moment for China that changed world history. In the meeting Coase notes that Deng openly admitted to him “the mistakes the Communist government had made and earnestly sought advice from Lee Kuan Yew”. By 1992 Deng was touting Singapore publicly as China’s role model: “There is good social order in Singapore. We should draw from their experience, and do even better than them”.

Deng Xiaoping also encouraged economics education among his civil servants. During his time, Milton Friedman trained senior Chinese bureaucrats about the market economy in week-long course in 1980 – the same Milton Friedman whose 1955 memorandum to India’s Finance Minister was entirely ignored by Nehru.

Deng’s successor Jiang Zemin (1993 to 2003) was an engineer but diligently spent time to study Adam Smith and Friedman. Further, Chinese civil servants have regularly trained in Singapore over the past few decades. The combination of this focus on good economics by its leaders and practical knowledge of detailed good governance acquired by its mandarins from Singapore means that today China’s leaders and bureaucrats have a much better understanding of economics than any Western leader.

China is not particularly impressed with democracy. It claims that its system is able to better identify and groom the best talent to positions of leadership. As a result it is able to implement unpopular reforms that are usually stymied in democratic countries and also able to take a long term view of public policy. Given the example of India’s pathetic performance as a socialist democracy, China is obviously not going to be in a rush to democratise.

The debates about democracy that started thousands of years ago in political philosophy, have never truly concluded. The liberals have long recognised the conflict between liberty and democracy and have never been great fans of democracy. In the long run democracy tends to destroy individual freedom and bankrupt a society by squandering public money in populist programs. Hitler, too, arose from a democracy. The only reason liberals accept democracy is that it is better on average than monarchy or autocracy, particularly where it is reined in by a strong constitution that protects human freedoms.

If better models than democracy can be found, the liberals would probably want to give them a go. Hayek was disillusioned with Western democracy and at least since his 1966 article, *The Principles of a Liberal Social Order*, considered the need for significantly truncated models of democracy and proposed a detailed alternative model in his 1973 Wincott Memorial Lecture.

Our party is not persuaded that authoritarianism of the Chinese type is good for India, particularly given the way it treats political dissidents and oppresses groups of people, including Tibetans. Protecting human freedom and life is the main purpose of government and China has failed on this most basic measure. We believe India’s systems are fundamentally valid and can be reformed with minimal effort to create a good democracy that permits talented people to join politics and the bureaucracy, so India can do even better than Singapore.

The main takeaway for India from the Chinese transformation, however, is this – that mastery over economics holds the key to India’s future. Only a liberal free market economy can create prosperity.